

PROCESS FOR NEGOTIATIONS

I've met with Secretary Caballero and then we followed up with a few phone conversations. I've also had conversations with Richard Magasin and Alan Ono in the AG's office with regard to Bagely Keene, to get an understanding of how to handle real estate transactions with our Board.

Let me start with our process:

Secretary Caballero and I agreed that there should be a complete public vetting of all issues attendant to this proposed transaction. That will guide our process.

I assured the Secretary that our Board would have transparent and public discussion to include all interested parties. There will be no back room deal. All voting by Board Members on this issue will be done in open session.

I have asked Richard Magasin and Alan Ono to determine if Board Members Chadwick and Wesson could participate in these discussions and vote in open Public session. As you are all aware they are both members of the Coliseum Commission. Magasin and Ono have confirmed that they are both entitled to participate and vote in open sessions. One never knows they may find that what is good for the Commission is not so good for the Park, or vice versa. Chadwick and Wesson will hopefully be active and lively participants in these discussions. They will not be entitled to attend any Closed Session Board meeting where the topic is the proposed transaction with the Coliseum Commission.

The Bagely Keene Act states that regarding Closed Session discussion on real estate transactions that we may only discuss **"price and terms of payment"**. That is what we will do at such time, if at all, as a Closed Session is needed. At the moment I do not see the need for a Closed Session in the near future.

The essence of the conversation with Secretary Caballero was what entity was best suited to lead the negotiations for a deal for the use

and management of the Coliseum. Such a deal may or may not include the Sports Arena, parking or overall management. It was my suggestion that the CSC would be the lead negotiator with support from State and that the Coliseum Commission would be removed from any active participation in this endeavor.

I pointed out the following:

On the one side you have USC and here's their credentials: They raised \$1 billion dollars last year for their endowment fund. Additionally, USC is a top tier University with obvious vast financial resources and a substantial knowledge base concerning transactions of this kind. They are the largest landowner in the community and continue to buy and develop and any available real estate in the area. They have a current lease for the Stadium with the Commission which for all intent and purposes the Commission has defaulted on. As far back CSC meetings in 1990 USC stated desire has been to privatize the Coliseum. See minutes of CSC meeting March 22, 1990.

They are clearly a force to be reckoned with.

Now on the other side we have three choices to lead the negotiations with USC.

Our friends in Sacramento: 600 miles away, not on the ground and familiar with the particular and specific issues in the park and local community needs. To the best of my understanding, State Government is down \$16 Billion this year and counting. This deal is a pimple on the back of an elephant for Sacramento. Where as for us the Coliseum is a City and community treasure. Long after the politician up North are out of office, the people in this park, and in our community will have to live with the results. Why would the Politicians in Sacramento be better equipped to negotiate this transaction than the Science Center?

Or we could have...

The Coliseum Commission be our lead negotiator— Let me repeat myself here —

The Commission is facing insolvency combined with mismanagement, corruption, and fraudulent activities. As I said, they have been in default, for all intent and purposes, on their current lease with USC. They have driven away every tenant or business opportunity including the Clippers, Lakers, Kings, Raiders, Chargers, Rams, UCLA Football, USC Basketball, The X Games, and the list goes on. They believe they have no other choice but to make this deal and in so have negotiated from a rather weak position. The Commission chose politics over governance. Make any deal with USC, get this mess off our desk, off the pages of the LA Times and move on so we can begin to campaign for our next elected office.

Then there is...

The CSC as lead negotiator: 1) having just completed at \$2 Billion dollar transaction with the NASA to bring the Space Shuttle to Los Angeles. Let me repeat myself once again; having just completed at \$2 Billion dollar transaction with the NASA to bring the Shuttle to Los Angeles the CSC is highly capable of completing this lease/management transaction. 2) In a private public partnership along with the issuance of bonds, the CSC has raised \$300 million to build, staff and manage Phase One & Two of the master plan. 3) The CSC is in the midst of another \$200 million fund raising effort to build Phase Three, which will house our Space Shuttle Endeavor. 4) The Science Center is one of the leading science museum in the world with more 1.5 million visitors a year, more than any other museum Southern California. And if that's not enough the Science Center will have the support Park infrastructure including Natural History Museum which is in the final stages of a \$135 million renovation and has more than 700,000 visitors yearly, and Expo Center having completed a \$36 million renovation and serving more than 800,000 local citizen each year. Clearly this group has the expertise, knowledge base, resources and skill set needed to complete this transaction in a favorable manner to Exposition Park, our local Community, the City of Los Angeles and the State of California.

I suggested to Secretary Caballero that it appeared that USC would be the best entity to take over for the Commission, but we would have an open dialogue and possibly another party may step forward.

I speculated to the Secretary that the proposed lease now on the table could be a starting point for a deal with USC, or an interested third party... a template if you will.

When this process began last year I called the President of the Commission and requested that he come speak to our Board so that we could act in unison. The Commission President told me that he would not consider discussing anything with our Board and promptly hung up the phone. The Commission and USC have spent several months and countless hours of meetings and negotiations to get to this point. As of this date we have only been included in discussions after the fact, after negotiations have taken place and now we are being asked to rubber stamp a deal in less than 30 days without any due diligence or public hearings. The Secretary agreed that this request was unreasonable.

I advised Secretary Caballero that State Coliseum Commissioners appointees serve at the leisure of the Governor. I pointed out that the current President of the Coliseum Commission and lead negotiator was appointed by Governor Schwarzenegger and that he had supported the sale of the Coliseum, Sports Arena and parking lots to USC, which was proposed at the end of the Schwarzenegger administration. This Board unanimously rejected that proposal. I might add each member of the Board was an appointee of Governor Schwarzenegger. I told her I believed that that no matter who appointed a Board member, the CSC Board would always act on what is in the best interest of the Park and the local community, irrespective of the politics at play.

When we spoke yesterday she said that she would have to respond at some point to the USC proposal. I suggested a response could be anywhere from no response to accepting the deal as is. She said that the would be "no chance of accepting the deal as is and that any response to the USC's request for a NDA and lease extension could only take place after appropriate public discussion."

She told me that she understood my thinking and for the most part agreed. She told me yesterday that she relayed our conversation "up through proper channels to the Governor."

I made our negotiating team and myself available for future conversation with the administration.

When we get to a public hearing, it is my hope that the Secretary will attend.